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SUBJECT: Brazil Civil Aviation: OPEN SKIES NEGOTIATIONS

SENSITIVE BUT UNCLASSIFIED

REF: A) BRASILIA 0016 B) BRASILIA 0169, C) BRASILIA 1160

¶1. (SBU) Summary: The president of Brazil's Agency for Civil Aviation Regulation (ANAC), Solange Paiva Vieira, has agreed to launch dialogues leading towards Open Skies (OS) negotiations with the US in 2009. During a recent meeting with Ambassador Sobel, Vieira commented that an OS agreement would augment ANAC's priorities of increasing competition in Brazil's civil aviation sector and protecting the interests of the consumer. She advised that the negotiations would be managed by ANAC Director Renaldo Seroa da Motta, and instructed that he be contacted to work out the procedural details of OS negotiations. In consultations with da Motta, he has indicated his readiness to move forward to set the stage for OS negotiations, focusing first on removing obstacles prior to formally entering negotiations. End summary.

ANAC'S CHALLENGE

¶2. (U) In a meeting with Ambassador Sobel, Vieira confirmed ANAC's agreement to begin OS negotiations with the United States in 2009 and has appointed ANAC Director Da Motta, who represented ANAC during the bilateral negotiations in 2008, to lead ANAC's negotiation team. Vieira suggested that the first OS negotiation could take place as soon as March of 2009, but deferred to Director Da Motta in deciding an appropriate timetable. Vieira said that an OS agreement with the United States would create increased airline competition and airfare liberalization, while providing greater airport operation efficiencies and lower airfares. She pointed to these important societal benefits and stressed ANAC's need to focus its public relations attention accordingly. Vieira suggested that due to strong opposition from Brazilian domestic carriers, an OS agreement may require two sets of meetings that take place over 2 years. According to Vieira, concluding OS negotiations in a timely manner will depend on how effectively ANAC addresses domestic carrier resistance. ANAC has already begun this campaign through various TV interviews, newspaper interviews, and public hearings.

OS FORMAT

¶3. (U) Following the Ambassador's meeting with Vieira, Econoff met with ANAC director Ronaldo Seroa Da Motta at Vieira's suggestion to discuss OS negotiation procedures. Franklin Hoyer, ANAC's Superintendent of International Relations, and Clarissa Costa de Barros, Da Motta's technical manager, also attended the meeting. Da Motta expressed his support for an OS agreement between the United States and Brazil, stating that ANAC had done considerable internal analysis relating to OS benefits as a lead up to their EU negotiations and are convinced that OS are in Brazil's best interests. Da Motta stressed the importance of direct formal communication between ANAC and State Department's aviation negotiation office (EEB/TRA) in order to begin OS negotiations. Da Motta said that the first step would be for EEB/TRA to communicate

their interest in beginning a dialogue on OS directly to Hoyer and Da Motta. Da Motta added that the contact should also contain any available Brazilian market OS impact studies and a Portuguese language version of the OS template. Favoring a judicious approach leading up to the OS negotiations, Da Motta emphasized the importance of resolving disagreements and clarifying positions with the civil aviation negotiation team before setting a formal date to begin negotiations.

¶4. (SBU) Comment: An OS agreement with the United States is just one of the measures the Brazilian authorities are considering to liberalize the, until recently, very closed aviation market in Brazil. On the heels of our successful bilateral negotiations to increase frequencies in 2008, Post believes this is the optimal time to move towards OS. It appears that with Vieira and her pro-liberalization ANAC staff, Brazil has the right team in place to move forward now. While we should respect ANAC's desire to lay the groundwork carefully to ensure successful negotiations, we should make the most of this opportunity and respond quickly to their information requests and enable them to prepare their domestic constituencies. Post has communicated Da Motta's requests to the civil aviation negotiation team and has received their positive response to engaging directly and substantively with ANAC. Mission Brazil is prepared to assist in any way possible as we move towards this important policy goal. End Comment.

SOBEL